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Argentina: An Overview

Situated on the Atlantic coast of South America's Southern Cone, Argentina has a vibrant electoral democracy and Latin America's third-largest economy. U.S.-Argentine relations have been strong in recent years, with extensive trade and economic linkages.

Figure 1. Map of Argentina



Source: CRS.

Political and Economic Environment

Current President Alberto Fernández of the center-left Peronist *Frente de Todos* (FdT, Front for All) ticket won the October 2019 presidential election and was inaugurated to a four-year term in December 2019. He defeated incumbent President Mauricio Macri of the center-right *Juntos por el Cambio* (JC, Together for Change) coalition by a solid margin of 48.1% to 40.4% but by significantly less than the 15 to 20 percentage points predicted by polls. The election also returned to government former President Cristina Fernández de Kirchner, from the leftist wing of the Peronist party, who ran on the FdT ticket as vice president. In concurrent legislative elections, the FdT won a Senate majority; in the Chamber of Deputies, the JC won the largest bloc (but not a majority) and the FdT won the second-largest bloc.

A unified Peronist ticket and Argentina's economic deterioration in 2018 and 2019, marked by high inflation and increasing poverty, were major factors in Macri's defeat. Elected in 2015, Macri had ushered in economic policy changes in 2016-2017 that lifted currency controls; reduced or eliminated agricultural export taxes; and reduced electricity, water, and heating subsidies. In 2018, as the economy faced pressure from a severe drought and large budget deficits, the International Monetary Fund (IMF)

supported the government with a \$57 billion program. The reforms and IMF support were not enough to stem economic decline, and the government reimposed currency controls and took other measures to stabilize the economy.

Argentina at a Glance

Population: 45.1 million (2019, IMF est.).

Area: 1.1 million square miles, about the size of the United States east of the Mississippi.

GDP: \$445 billion (2019, current prices, IMF est.).

Real GDP Growth: 2.7% (2017); -2.5% (2018); -2.2% (2019, est.); -5.7% (2020 projected) (IMF)

Per Capita GDP: \$9,888 (2019, current prices, IMF est.).

Key Trading Partners (total trade): Brazil (19.5%), China (13.7%), United States (12.5%) (2019, INDEC).

Legislature: Bicameral Congress, with 72-member Senate and 257-member Chamber of Deputies.

Sources: IMF (World Economic Outlook Database, October 2019 and April 2020) and National Institute of Statistics and Census (INDEC, Argentina).

Upon taking office, President Fernández faced an economy in crisis, with a recession expected to extend into 2020, high poverty, and a high level of unsustainable public debt. He pledged to restructure Argentina's debt by the end of March 2020 and opened talks with bondholders and other creditors, including the IMF. He also rolled out several measures, including a food program and price controls on basic goods, aimed at helping low-income Argentines cope with inflation and increased poverty.

With the onset of the Coronavirus Disease 2019 (COVID-19) pandemic, the Fernández government's swift action imposing strict quarantine measures in mid-March 2020 had a significant effect in keeping the death rate low. As of June 12, 2020, the country registered 765 deaths (1.72 deaths per 100,000, compared with 34.79 deaths per 100,000 in the United States) according to data from Johns Hopkins University. Poorer sections of Buenos Aires have been hard-hit by the pandemic.

With the economic shutdown, the IMF in April forecast an economic contraction of 5.7% in 2020; other economists predict a steeper decline. Private creditors holding \$66 billion in sovereign bonds did not accept an initial May 2020 debt restructuring offer made by the government. The government subsequently defaulted on its debt on May 22, when it missed an interest payment, but negotiations with bondholders are continuing. Although President Fernández's popularity rose to over 60% amid his government's response to the pandemic, the president could

face more difficult times ahead as socioeconomic indicators worsen amid the recession.

Foreign Policy. Under Macri, Argentina improved relations with neighboring Brazil; in 2019, Argentina joined with the other three countries of the South American customs union known as Mercosur (*Mercado Común del Sur*)—Brazil, Paraguay, and Uruguay—to conclude a free-trade agreement with the European Union. Mercosur does not appear to be a priority for the Fernández government, however, and analysts maintain that the ratification process will be complicated in both Europe and South America.

The Macri government was strongly critical of the antidemocratic actions of the Maduro regime in Venezuela and joined with other regional countries to form the Lima Group seeking a democratic resolution. In 2019, Argentina recognized the head of Venezuela's National Assembly, Juan Guaidó, as the country's interim president. Among its foreign policy changes, the Fernández government does not recognize Guaidó as Venezuela's interim president, although it has criticized the Maduro government at times.

U.S.-Argentine Relations

U.S.-Argentine relations have been characterized by robust commercial linkages and cooperation on issues such as nonproliferation, human rights, education, and science and technology. There were periodic tensions under the Kirchner governments, but Macri's election brought to power a government committed to improving relations. President Obama engaged the Macri government on a range of bilateral, regional, and global issues.

Strong bilateral relations have continued under the Trump Administration. Macri visited the White House in April 2017, and the two leaders underscored their commitment to expand trade and investment and pledged strengthened partnership to combat narcotics trafficking, money laundering, terrorist financing, and corruption and to increase engagement on cyber issues. In September 2018, President Trump reaffirmed strong U.S. support for Argentina's engagement with the IMF. He met with President Macri in Argentina in November 2018 on the sidelines of the G-20 summit, which Argentina hosted. The two countries reached agreements on educational exchanges, national park conservation, health cooperation, aviation safety, and energy sector cooperation.

In the aftermath of the 2019 presidential race, the U.S. Secretary of State congratulated Argentina on its successful election and stated that the United States looked forward to working with the Fernández administration to promote regional security, prosperity, and the rule of law.

U.S. Foreign Aid. The United States provided a total of \$4.9 million in assistance to Argentina in FY2018 (latest full-year data available) and at least \$10.5 million in FY2019 (partially reported), according to the U.S. Agency for International Development's *Foreign Aid Explorer* database. The United States has provided International Military Education and Training (IMET) to Argentina for many years, including \$589,000 in FY2019 and \$600,000 requested in each of FY2020 and FY2021. For each of

FY2018-FY2020, Congress also appropriated \$2.5 million in International Narcotics Control and Law Enforcement (INCLE) assistance to support Argentina's counterterrorism, counternarcotics, and law enforcement capabilities. From FY2017 to FY2020, the United States also provided \$7.4 million in humanitarian assistance to help with the influx of an estimated 145,000 Venezuelan migrants, according to the United Nations, because of the crisis in that country. Amid the COVID-19 pandemic, the State Department announced in May 2020 that \$300,000 in previously announced Migration and Refugee Account humanitarian assistance would support COVID-19 response efforts for refugees and host communities.

In addition to foreign aid, Argentina's status as a major non-NATO ally since 1998 makes it eligible for preferential treatment for U.S. exports of excess defense articles. The U.S. International Development Finance Cooperation (formerly the Overseas Private Investment Cooperation) has helped support numerous projects in Argentina involving infrastructure, energy, and logistics.

Trade and Investment Issues. The United States ran a \$3.2 billion trade surplus with Argentina in 2019, exporting \$8.1 billion in goods to the country (led by machinery and mechanical appliances, oil, electrical machinery and equipment) and importing \$4.9 billion (led by oil, aluminum, silver and gold, organic chemicals, and wine). The stock of U.S. foreign direct investment in Argentina was \$15.2 billion in 2018. Argentina has been on the U.S. Trade Representative's Special 301 Priority Watch List since 1996 due to problems with intellectual property rights protection and enforcement.

The United States and Argentina have made progress on some trade issues. In 2018, Argentina gained access to the U.S. market for lemons and fresh beef, which it had sought since 2001; the United States gained access to the Argentine market for pork (the first access since 1992) and full market access for beef and beef products banned for more than a decade. Challenges remain on other trade issues. The United States imposed countervailing and antidumping duties on biodiesel imports from Argentina in 2018 because of Argentina's subsidies to its producers.

AMIA Bombing. Congress has expressed concern over the years about progress in bringing to justice those responsible for the July 18, 1994, bombing of the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires that killed 85 people. Both Iran and Hezbollah (the radical Lebanon-based Islamic group) allegedly are linked to the attack, as well as to the 1992 bombing of the Israeli Embassy, which killed 29 people. On July 18, 2019, Argentina designated Hezbollah a terrorist organization and ordered the freezing of its assets. As the 25th anniversary of the AMIA bombing approached in July 2019, the House approved H.Res. 441, reiterating condemnation of the attack and expressing strong support for accountability; the Senate followed suit in October 2019 when it approved S.Res. 277.

Also see CRS In Focus IF10991, *Argentina's Economic Crisis*, by Rebecca M. Nelson; and CRS Insight IN11184, *Argentina's 2019 Elections*.

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